

VIRGINIA RESOURCES AUTHORITY

POOLED LOAN BOND PROGRAM

NONARBITRAGE CERTIFICATE AND TAX COMPLIANCE AGREEMENT (NEW MONEY – NO SMALL ISSUER EXCEPTION)

This **NONARBITRAGE CERTIFICATE AND TAX COMPLIANCE AGREEMENT** is made this ____ day of June, 2002 (the "Agreement"), by and between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia ("VRA"), and the **COUNTY OF FAUQUIER, VIRGINIA** a political subdivision of the Commonwealth of Virginia (the "Locality").

RECITALS

A. On the date hereof (the "Closing Date"), VRA has issued its \$_____ Infrastructure Revenue Bonds (Pooled Loan Bond Program), Series 2002A (the "Series 2002A VRA Bonds"), pursuant to a Master Indenture of Trust dated as of March 1, 2000, as previously supplemented (the "Master Indenture"), between VRA and First Union National Bank, as trustee (the "Trustee"), and a Fifth Supplemental Series Indenture of Trust dated as of June 1, 2002 (the "Fifth Supplemental Series Indenture" and together with the Master Indenture, the "Indenture"), between VRA and the Trustee.

B. VRA is using a portion of the net proceeds of the Series 2002A VRA Bonds to purchase the Locality's Financing Lease dated as of June 1, 2002 (the "Financing Lease") between VRA and the Locality, pursuant to a Local Lease Acquisition Agreement dated May 21, 2002 (the "Local Lease Acquisition Agreement"), between VRA and the Locality.

C. Pursuant to Section 9.1 of the Financing Lease, the Locality has agreed, among other things, not to take or omit to take any action that would cause interest payments attributable to the Financing Lease or the Series 2002A VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties to this Agreement certify, represent, warrant and agree with one another and with the Trustee for the benefit of the owners of the Financing Lease and of the Series 2002A VRA Bonds as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Unless otherwise defined, each capitalized term used in this Certificate shall have the meaning set forth below:

"AMT Bond" means a "specified private activity bond" as defined in Section 57(a)(5)(C) of the Code, the interest on which is a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

"Bona Fide Debt Service Fund" means a fund, which may include Sale Proceeds and Investment Proceeds, that (i) is used primarily to achieve a proper matching of revenues with principal and interest payments attributable to the Financing Lease within each Bond Year and (ii) is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(a) the earnings on the fund for the immediately preceding Bond Year; or

(b) one-twelfth of the principal and interest payments on the Financing Lease for the immediately preceding Bond Year.

"Bond Year" means the twelve-month period beginning on May 2 of one year and ending on May 1 of the following year, except that the first Bond Year begins on the Closing Date and ends on May 1, 2003. The Locality acknowledges that this will result in a "short" first Bond Year.

"Capital Expenditure" means any cost of a type that is properly chargeable to capital account (or would be so chargeable with (or but for) a proper election or the application of the definition of "placed in service" under Treas. Regs. § 1.150-2(c)) under general federal income tax principles, determined at the time the expenditure is paid.

"Capital Project" means Capital Expenditures that carry out the governmental purposes of the Financing Lease as set forth in Section 2.3 below, plus the Costs of Issuance of the Financing Lease.

"Closing Date" means the date of this Agreement, which is the date of the issuance of the Financing Lease and its sale to the Trustee at the direction of VRA.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute. Each citation to a Code section shall include the applicable Treasury Regulations, revenue procedures and revenue rulings.

"Constructed Personal Property" means the extended construction/rehabilitation period tangible personal property and the specially developed computer software described in Treas. Regs. § 1.148-7(g)(3).

"Construction Expenditures" means Capital Expenditures that, on or before the date the property financed by the expenditures is placed in service, will be properly chargeable to or may be capitalized as part of the basis of:

(a) Real Property, other than expenditures for (i) the acquisition of any interest in land and (ii) the acquisition of any interest in Real Property other than land (except as provided in Treas. Regs. § 1.148-7(g)(2)); or

(b) Constructed Personal Property.

"Costs of Issuance" means costs to the extent incurred in connection with, and allocable to, the execution and delivery of the Financing Lease.

"Exempt Person" means any Person that is a state or local governmental unit within the meaning of Section 141 of the Code (or any instrumentality thereof).

"Gross Proceeds" has the meaning set forth in Treas. Regs. § 1.148-1(b) and, with respect to the Financing Lease includes, without limitation, the Sale Proceeds and the Investment Proceeds.

"Investment Proceeds" shall have the meaning set forth in Section 2.4 below.

"Local Account" shall have the meaning set forth in the Financing Lease.

"Local Resolution" means the resolution adopted by the governing body of the Locality on April 15, 2002.

"Nonexempt Person" means any Person that is not an Exempt Person, and includes the federal government and its agencies and instrumentalities.

"Nonexempt Use Portion" means five percent (5%).

"Nonpurpose Investment" means any security, obligation, annuity, or other investment-type property (excluding any Tax-Exempt Bond or Tax-Exempt Mutual Fund) in which Gross Proceeds of the Financing Lease are invested and that is not acquired to carry out the governmental purpose of the Financing Lease. Cash is not a Nonpurpose Investment.

"Person" means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, corporation or partnership, or any other entity (including a governmental entity).

"Preliminary Expenditures" include architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project, other than land acquisition, site preparation and similar costs incident to commencement of construction.

"Private Business Use" means Use of bond proceeds or bond-financed property directly or indirectly in a Trade or Business carried on by a Nonexempt Person.

"Project" means the project described in Exhibit B-1 of the Financing Lease and/or any other property to be financed or refinanced by the Sale and Investment Proceeds of the Financing Lease.

"Purchase Price" shall have the meaning set forth in Section 2.4 below.

"Qualified Reimbursable Expenditure" means an expenditure which (i) is a Capital Expenditure, (ii) was paid not earlier than 60 days before the date the Locality adopted a resolution (April 15, 2002) or otherwise declared its official intent to issue obligations to finance such expenditure, and (iii) is reimbursed no later than the later of (A) 18 months after the original expenditure, or (B) 18 months after the relevant project is placed in service or abandoned (but in no event more than 3 years after the original expenditure was paid).

"Real Property" means land and improvements thereto, such as buildings or other inherently permanent structures, including items that are structural components of such buildings or structures. In addition, "Real Property" includes interests in real property.

"Rental Payments" means the rental payments set forth in Exhibit A to the Financing Lease.

"Replacement Proceeds" shall have the meaning set forth in Treas. Regs. Section 1.148-1.

"Sale Proceeds" shall have the meaning set forth in Section 2.4 below.

"Series 2002A VRA Bonds" shall have the meaning set forth in the recitals to this Agreement and, as used below, shall also mean any bonds issued by VRA to refund the Series 2002A VRA Bonds in whole or in part.

"Service Contract" means a contract under which a Nonexempt Person will provide services involving all, a portion or any function of the Project. For example, a Service Contract includes a contract for the provision of management services for all or any portion of the Project. Contracts for services that are solely incidental to the primary governmental function or functions of the Project (for example, contracts for janitorial, office equipment repair, billing, or similar services) are not included in this definition. Additional contracts not included in

this definition are (i) a contract to provide for services by a Nonexempt Person if the only compensation is the reimbursement of the Nonexempt Person for actual and direct expenses paid by the Nonexempt Person to unrelated parties and (ii) a contract to provide for the operations by a Nonexempt Person of a facility or system of facilities that consists predominately of public utility property (within the meaning of Section 168(i)(10) of the Code), if the only compensation is the reimbursement of actual and direct expenses of the Nonexempt Person and reasonable administrative overhead expenses of the Nonexempt Person.

"Tax-Exempt Bond" means any bond, note or other obligation the interest on which is excludable from gross income under Section 103(a) of the Code, but shall not include an AMT Bond.

"Tax-Exempt Mutual Fund" means an interest in a regulated investment company to the extent that at least 95 percent of the income to the holder thereof constitutes interest that is derived from Tax-Exempt Bonds.

"Trade or Business" means any activity carried on by a Person, except for a natural person. "Trade or Business" for a natural person means any activity carried on by such natural person that constitutes a "trade or business" within the meaning of Section 162 of the Code.

"Use" or "Used" shall have the meaning set forth in Section 141(b)(1) of the Code. Under Section 141(b)(1), the Use of bond-financed property is treated as Use of bond proceeds. A Nonexempt Person may Use bond proceeds and bond-financed property as a result of, among other ways, (i) ownership of bond-financed property, (ii) actual or beneficial use of bond-financed property pursuant to a lease, a Service Contract or an incentive payment contract, or (iii) any other arrangement such as a take-or-pay or other output-type contract. Use by a Nonexempt Person on the same basis as the general public is not taken into account. However, Use in a Trade or Business by all Nonexempt Persons on a basis different from the general public shall be aggregated in determining whether the threshold set forth in Section 4.2(a) below has been exceeded.

ARTICLE II

NONARBITRAGE CERTIFICATIONS OF LOCALITY

Section 2.1 Responsible Officer, Reasonable Expectations. (a) The undersigned officer of the Locality is one of the Locality's officers charged with the responsibility of executing and delivering the Financing Lease by the Local Resolution.

(b) The undersigned officer hereby certifies in good faith that set forth in this Article II are the reasonable expectations of the Locality as of the Closing Date regarding the amount, the investment and the use of the Gross Proceeds of the Financing Lease.

Section 2.2 Execution and Delivery of Financing Lease. The Locality will on the Closing Date issue and sell the Financing Lease pursuant to the Local Resolution, the Local Lease Acquisition Agreement and the Financing Lease in the aggregate principal amount of \$6,900,000.

Section 2.3 Purpose of Financing Lease. The Locality is executing and delivering the Financing Lease to provide funds to be used, along with other available funds, if any, (i) to finance or refinance the Project and (ii) to pay the Costs of Issuance related to the Financing Lease, substantially as set forth in Exhibit A hereto.

Section 2.4 Sale of Financing Lease; Definition of Sale Proceeds. (a) The Locality will physically deliver the Financing Lease on the Closing Date to or upon the order of VRA in exchange for receipt of the amount of \$_____ (the "Purchase Price").

(b) The Closing Date is not earlier than the first day on which interest begins to accrue on the Financing Lease for federal income tax purposes.

(c) For purposes of the rest of this Agreement, the Purchase Price of the Financing Lease will be referred to as the "Sale Proceeds" of the Financing Lease. Investment earnings on the Sale Proceeds shall be referred to as "Investment Proceeds."

Section 2.5 Yield on the Financing Lease. (a) The Yield on the Financing Lease is fixed and determinable on the Closing Date. The Financing Lease constitutes a fixed yield issue.

(b) Except for the Financing Lease, no tax-exempt obligations of the Locality or any other issuer have been or will be (i) sold less than 15 days before or after May 21, 2002, (ii) sold pursuant to the same plan of financing with the Financing Lease, and (iii) reasonably expected to be paid from substantially the same source of funds as the Financing Lease, determined without regard to guarantees from parties unrelated to the Locality, if any.

(c) The Locality has not entered and will not enter into any Hedge Contract (as defined below) with respect to the Financing Lease. A "Hedge Contract" is a contract entered into primarily to reduce a tax-exempt bond issuer's risk of interest rate changes with respect to a borrowing. For example, a Hedge Contract may be an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option.

(d) The Locality has been advised that Treas. Regs. § 1.148-4(a) provides that the arbitrage yield on the Financing Lease is equal to the yield on the Series 2002A VRA Bonds of _____%.

Section 2.6 Expenditure, Time and Due Diligence Tests. (a) All of the Sale Proceeds and the Investment Proceeds thereon will be expended on Capital Projects.

(b) All of the Sale Proceeds and the Investment Proceeds thereon will be advanced and expended on Capital Projects not later than June __, 2005.

(c) The Locality already has or will within six months after the Closing Date incur a substantial binding obligation to a third party to expend at least 5 percent of the Sale

Proceeds on Capital Expenditures for Capital Projects. For this purpose, an obligation is not binding if it is subject to contingencies within the Locality's or a related party's control.

(d) Completion of the Capital Projects and the allocation of the Sale Proceeds and the Investment Proceeds thereon to expenditures for Capital Projects will proceed with due diligence substantially in accordance with the draw schedule attached as Exhibit B.

Section 2.7 Expenditure of Sale Proceeds and Investment Proceeds. The Locality agrees that the Sale Proceeds or Investment Proceeds disbursed from the Local Account will be (i) immediately applied to reimburse the Locality for Project Costs it has already incurred and paid or (ii) actually spent to pay Project Costs not later than 5 banking days after such receipt.

Section 2.8 Reimbursement Limitations. (a) The Locality may use Sale Proceeds and Investment Proceeds to reimburse itself for expenditures made prior to the Closing Date or refinance any such reimbursement provided such reimbursement amounts do not exceed the lesser of \$100,000 or 5% of the Sale Proceeds of the Financing Lease. The Locality may not reimburse itself for any additional amount paid prior to the Closing Date unless the original expenditure (i) is a Cost of Issuance, (ii) represents a Preliminary Expenditure which, when added to all other Preliminary Expenditures reimbursed, does not exceed 20% of the issue price of the Financing Lease, or (iii) is a Qualified Reimbursable Expenditure. All such reimbursements will be noted in writing.

(b) The Locality will use no reimbursement amount within one year of the date of the reimbursement allocation in a manner that results in the creation of Replacement Proceeds of the Financing Lease or any other issue. However, the preceding sentence does not apply to amounts deposited in a Bona Fide Debt Service Fund.

Section 2.9 No Overburdening. The Sale Proceeds and Investment Proceeds of the Financing Lease are not expected to exceed the amount necessary for the governmental purposes for which the Financing Lease is being issued.

Section 2.10 Universal Cap. The Locality reasonably expects as of the Closing Date that the universal cap (as defined in Treas. Regs. § 1.148-6) will not reduce the amount of Gross Proceeds allocable to the Financing Lease during the term of the Financing Lease.

Section 2.11 No Replacement Proceeds. (a) Except as may be described in Exhibit A, the Locality has or will have on hand no funds that are restricted, segregated, legally required or otherwise intended to be used, directly or indirectly, for the purposes for which the Financing Lease is being issued.

(b) The weighted average maturity of the Financing Lease (which is in excess of five years) does not exceed 120 percent of the reasonably expected economic life of the Capital Projects to be financed or refinanced by the Financing Lease.

Section 2.12 No Other Proceeds. Other than amounts that may constitute or may be deposited in a Bona Fide Debt Service Fund, there will be no moneys, securities, obligations, annuity contracts, residential rental property, AMT Bonds, investment-type property or sinking

funds, pledged funds, reserve funds, funds subject to a negative pledge or other funds or Replacement Proceeds that will be accumulated or held and pledged as security by the Locality or any other substantial beneficiary of the Financing Lease (within the meaning of Treas. Regs. § 1.148-1(c)(1)) as security for or the direct or indirect source of the payment of the principal of or interest on the Financing Lease. Amounts constituting or on deposit in a Bona Fide Debt Service Fund may be invested without yield restriction.

Section 2.13 Bond Year. The Locality selects the Bond Year as the "bond year" for the Financing Lease.

Section 2.14 No Abusive Arbitrage Device. The Locality has not used and will not use an "abusive arbitrage device" in connection with the Financing Lease. An action is an "abusive arbitrage device" if the action has the effect of (i) enabling the Locality to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (ii) overburdening the tax-exempt bond market; provided, however, that no action that is expressly permitted by Section 148 of the Code or Treas. Regs. §§ 1.148-1 through 1.148-11 is an abusive arbitrage device.

Section 2.15 Reasonable Expectations. To the best of the undersigned's knowledge, information and belief, the expectations stated in this Article are reasonable and there are no other facts, estimates or circumstances that would materially change such expectations.

ARTICLE III

ARBITRAGE REBATE

Section 3.1 In General. (a) The Locality shall take all steps necessary to cause the requirements of Section 148(f) of the Code applicable to the Financing Lease to be complied with, including but not limited to all reporting and rebate requirements. The Locality recognizes that the provisions of Section 148(f) of the Code require a rebate of arbitrage profits to the United States in certain circumstances.

(b) The Locality shall not directly or indirectly use or permit the use of the Gross Proceeds of the Financing Lease except in accordance with Article II hereof.

(c) The Locality agrees that a specific remedy that shall be available to VRA and/or the Trustee for a violation by the Locality of any covenant hereunder is that the Locality will pay or reimburse VRA for any arbitrage rebate liability, yield reduction payment, interest or penalties assessed or incurred with respect to the Series 2002A VRA Bonds in any way attributable to such violation. This specific remedy shall be in addition to any other remedies available to VRA or the Trustee under law or equity.

(d) The Locality agrees to provide to VRA any records reasonably requested by VRA in order to facilitate the calculation of rebate liability with respect to the Series 2002A VRA Bonds.

Section 3.2 Twenty-Four Month Spending Exception. (a) The Locality reasonably expects that at least 75 percent of the Sale Proceeds and Investment Proceeds will be spent for Construction Expenditures with respect to property that is to be owned by the Locality.

(b) In order for the Financing Lease to qualify for the "twenty-four month" spending exception to the rebate requirement, at least the following percentages of the Sale Proceeds and Investment Proceeds should be spent for the governmental purposes of the Financing Lease within the following periods: (i) 10 percent within six months after the Closing Date; (ii) 45 percent within one year after the Closing Date; (iii) 75 percent within 18 months after the Closing Date; and (iv) 100 percent within two years after the Closing Date. 100 percent of such amounts may be treated as spent within two years after the Closing Date if no more than 5 percent of the Purchase Price of the Financing Lease is withheld as a reasonable retainage as defined under Treas. Regs. § 1.148-7(h) (e.g., to ensure compliance with construction contracts). This retainage must be spent within 3 years after the Closing Date.

(c) NEITHER VRA NOR THE LOCALITY HAS ELECTED WITH RESPECT TO THE FINANCING LEASE TO PAY THE PENALTY IN LIEU OF REBATE UNDER SECTION 148(f)(4)(C)(vii)(I) OF THE CODE.

Section 3.3 Application of Principal, Earnings and Rebate Subaccounts. The Locality acknowledges and agrees that the Principal, Earnings and Rebate Subaccounts (as defined in the Financing Lease) will be applied as described in Exhibit C.

ARTICLE IV

GENERAL TAX COVENANTS

Section 4.1 Reasonable Expectations. The Locality reasonably expects, as of the Closing Date, to use or cause the use of the Gross Proceeds of the Financing Lease and the Project in such manner and to take or refrain from taking all actions as may be necessary to establish and maintain the exclusion of the interest component of Rental Payments from federal gross income under Sections 103 and 141 through 150 of the Code over the entire stated term of the Financing Lease.

Section 4.2 Private Business Use Limitations. (a) The Locality shall at all times conduct or cause to be conducted the operation of the Project so as not to permit more than the Nonexempt Use Portion of the Sale Proceeds of the Financing Lease to be Used for a Private Business Use. Use of the Project shall be deemed Use of the Purchase Price of the Financing Lease.

(b) The Locality shall not enter into any Service Contract with a Nonexempt Person.

Section 4.3 No Private Loans. (a) The Locality (i) represents that it reasonably expects that it will be the only ultimate borrower receiving a loan made or financed directly or indirectly from the Gross Proceeds of the Financing Lease and (ii) shall not intentionally use or

permit the use of the Gross Proceeds of the Financing Lease directly or indirectly to make a loan to an ultimate borrower other than itself.

(b) Any transaction that is generally characterized as a loan for federal income tax purposes is a "loan" for purposes of this Section. In addition, a loan may arise from the direct lending of bond proceeds or may arise from transactions in which indirect benefits that are the economic equivalent of a loan are conveyed, including any contractual arrangement which in substance transfers tax ownership and/or significant burdens and benefits of ownership.

(c) Except as provided below, a prepayment for property or services is treated as a "loan" for purposes of this Section if a principal purpose for prepaying is to provide a benefit of tax-exempt financing to the seller. A prepayment is not treated as a loan for purposes of this Section if --

(1) The prepayment is made for a substantial business purpose other than providing a benefit of tax-exempt financing to the seller and the prepayer has no commercially reasonable alternative to the prepayment; or

(2) Prepayments on substantially the same terms are made by a substantial percentage of Persons who are similarly situated to the prepayer but who are not beneficiaries of tax-exempt financing.

(d) The term "loan" as used in this Section does not refer to the purchase of Nonpurpose Investments.

Section 4.4 Use by United States or its Agencies. The Locality shall not permit the Project to be used or occupied other than as a member of the general public in any manner for compensation by the United States or of its agencies or instrumentalities, including any entity with statutory authority to borrow from the United States.

Section 4.5 No Federal Guaranty. The Locality shall not permit (i) the payment of the principal or interest with respect to the Financing Lease to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) (the "Federal Government"), (ii) 5 percent or more of the Gross Proceeds of the Financing Lease to be (A) used in making loans the payment of principal or interest with respect to which are to be guaranteed (in whole or in part) by the Federal Government or (B) invested (directly or indirectly) in federally insured deposits or accounts, or (iii) the payment of Rental Payments to be otherwise indirectly guaranteed (in whole or in part) by the Federal Government; provided that none of the above-described prohibitions shall apply to investments of Gross Proceeds of the Financing Lease in a Bona Fide Debt Service Fund.

Section 4.6 Registration Requirement. Neither VRA nor the Locality shall take any action or permit any action to be taken to cause the Financing Lease to fail to satisfy the registration requirement of Section 149(a) of the Code.

Section 4.7 Information Reporting. The Locality represents that the information set forth in the IRS Form 8038-G prepared in connection with the execution and delivery of the Financing Lease is correct.

ARTICLE V
MISCELLANEOUS

Section 5.1 Term. The covenants contained in this Agreement shall be effective on the Closing Date. Except with respect to Section 3.1(c) above, which shall remain in effect until all arbitrage rebate liability is discharged with respect to the Series 2002A VRA Bonds, the Locality's obligations under this Agreement shall remain in effect so long as any Rental Payments remain unpaid (whether or not defeased).

Section 5.2 Opinion of Bond Counsel. If the Locality shall provide an opinion of nationally-recognized bond counsel addressed and acceptable to VRA and the Trustee to the effect that any action or forbearance required under this Agreement or otherwise is not required to maintain the exclusion from gross income of the interest portion of the Rental Payments and the Series 2002A VRA Bonds under Section 103 of the Code and to prevent such interest from becoming a specific item of tax preference for purposes of the federal alternative minimum tax, the Locality shall not be required to comply therewith.

Section 5.3 Enforcement by Trustee. The Locality acknowledges that its representations, warranties and covenants under this Agreement are incorporated by reference into the Financing Lease and that the Trustee may enforce the Locality's obligations under this Agreement subject to the terms of the Indenture and the Financing Lease.

Section 5.4 Reliance by Bond Counsel. It is understood by the Locality that bond counsel for the Locality is relying on the representations contained in this Agreement for the purpose of rendering its legal opinion in connection with the execution and delivery of the Financing Lease. Such reliance for such purpose is authorized.

Section 5.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

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WITNESS the following signatures, all duly authorized.

VIRGINIA RESOURCES AUTHORITY

By: _____
Robert W. Lauterberg,
Executive Director

COUNTY OF FAUQUIER, VIRGINIA

By: _____

Its: _____

EXHIBITS:

A - Sources and Uses Schedule

B - Drawdown Schedule

C - Application of Principal, Earnings and Rebate Subaccounts

EXHIBIT A
SOURCES AND USES OF FUNDS

Sources

Bond Par Amount
Plus Premium
Plus Expected Earnings

Total Sources

Uses

VRA Issuance Costs
VRA Interest
Architectural/Engineering
Project Inspection
Legal and Administrative
Construction
Equipment
Contingency*

Total Uses

* Includes Earnings

EXHIBIT B
DRAWDOWN SCHEDULE

EXHIBIT C

APPLICATION OF PRINCIPAL, EARNINGS AND REBATE SUBACCOUNTS

The following is excerpted from the Fifth Supplemental Series Indenture of Trust dated as of June 1, 2002 (the "Fifth Supplemental Series Indenture"), between the Virginia Resources Authority ("VRA") and First Union National Bank, as trustee (the "Trustee").

Selected Definitions

"Available Construction Proceeds" shall have the meaning set forth in Section 148(f)(4)(C)(vi) of the Code.

"Bond Counsel" means McGuireWoods LLP or other counsel selected by VRA and satisfactory to the Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

"Eighteen-Month Exception" means the exception from the Rebate Requirement provided under Treasury Regulations Section 1.148-7(d).

"Rebate Exceptions" means, collectively, the Small-Issuer Exception and the Spending Exceptions.

"Rebate Requirement" means, collectively, the requirements applicable to tax-exempt bonds under Section 148(f)(2) and (3) of the Code.

"Related Agreement" means the Financing Lease dated as of June 1, 2002, between VRA and the Locality, as any other Financing Lease or Financing Agreement entered into by VRA in connection with the Series 2002A VRA Bonds.

"Related Local Bond" means the Local Bond or any other Local Bond purchased with the proceeds of the Series 2002A VRA Bonds.

"Series 2002A Closing Date" means June __, 2002.

"Six-Month Exception" means the exception from the Rebate Requirement provided under Section 148(f)(4)(B) of the Code.

"Small-Issuer Exception" means the exception from the Rebate Requirement provided under Section 148(f)(4)(D) of the Code.

"Spending Exceptions" means, collectively, the Six-Month Exception, the Eighteen-Month Exception and the Twenty-Four Month Exception.

"Twenty-Four Month Exception" means the exception from the Rebate Requirement provided under Section 148(f)(4)(C) of the Code.

Application of Subaccounts

(a) *Purchase of Related Local Bonds.* The deposit into each Principal Subaccount of the respective amounts described in Section 4.3 of the Fifth Supplemental Series Indenture shall be deemed the purchase of each of the Related Local Bonds [or Financing Leases].

(b) *Disbursements and Transfers from Principal Subaccount.* (1) Commencing on the Series 2002A Closing Date, each Related Locality may cause the Trustee to disburse amounts on deposit in the Principal Subaccount in accordance with Article IV of the Related Agreement.

(2) The Trustee shall transfer from each Principal Subaccount to the Related Earnings Subaccount all income and profits, if any, from the investment and reinvestment of amounts in the Principal Subaccount.

(c) *Earnings Subaccount.* (1) The Trustee shall notify the Related Locality and VRA when the balance to the credit of a Principal Subaccount shall have been reduced to zero (\$0). The Related Locality may then withdraw from its Earnings Subaccount an amount not in excess of the balance therein if the Locality qualifies for any one of the Rebate Exceptions or if such withdrawal is necessary to qualify for one of the Spending Exceptions.

(A) In order to qualify for the Small-Issuer Exception, the Locality must deliver to the Trustee and VRA no later than the end of calendar year 2002 a letter from, or opinion of, nationally-recognized bond counsel to the Locality that the Related Local Bond will be treated as meeting the requirements of Section 148(f)(2) and (3) of the Code, pursuant to Section 148(f)(4)(D) of the Code.

(B) In order to determine if a Locality qualifies for either the Six-Month Exception or the Eighteen-Month Exception, VRA shall advise each Locality of the amount that has been disbursed from the Related Principal Subaccount and the Earnings Subaccount (i) six (6) months from the Series 2002A Closing Date, (ii) twelve (12) months from the Series 2002A Closing Date, and (iii) eighteen (18) months from the Series 2002A Closing Date.

(C) In order to determine if a Locality qualifies for the Two-Year Exception, VRA shall advise each Locality of the amount of the Available Construction Proceeds of the Local Bond (if any) that has been disbursed from the Related Principal Subaccount and the Earnings Subaccount (i) six (6) months from the Series 2002A Closing Date, (ii) twelve (12) months from Series 2002A Closing Date, (iii) eighteen (18) months from the Series 2002A Closing Date, and (iv) twenty-four (24) months from the Series 2002A Closing Date.

(2) If a Locality fails to qualify for one of the Spending Exceptions, or is otherwise subject to the Rebate Requirement, then prior to a withdrawal from its Earnings Subaccount and if so advised by VRA, the Locality shall promptly request from VRA an interim computation or an estimate of such Locality's Rebate Requirement liability for purposes of determining what amount, if any, to the credit of the Earnings

Subaccount may be subject to rebate. No disbursement shall be made from the Earnings Subaccount until the aforementioned calculation shall have been made. The amount in the Earnings Subaccount that may be subject to rebate shall be transferred to the Related Rebate Subaccount. Any remaining balance in the Earnings Subaccount may be disbursed to the Locality in accordance with Article IV of the Related Agreement.

(d) *Unexpended Proceeds.* If required under Article IV of each Related Agreement, a Locality will provide to VRA and the Trustee a certificate stating that certain amounts in the Related Principal and Earnings Subaccounts will not be necessary to pay Project Costs in accordance with the Related Agreement. Upon receipt of such certificate, the Locality will be required to undertake the rebate estimation or calculation described in subsection (c)(2) above and amounts estimated to be necessary to pay the Locality's Rebate Requirement will be transferred to the Related Rebate Subaccount. The Trustee shall then apply any remaining balance at the direction of the Locality in such manner as will not, in the opinion of Bond Counsel delivered to VRA and the Trustee, have an adverse effect on the tax-exempt status of either the Series 2002A VRA Bonds or the Related Local Bond.

(e) *Application of Rebate Subaccount.* The Trustee shall apply amounts in each Rebate Subaccount at the direction of VRA to satisfy VRA's and the Related Locality's Rebate Requirement liability under Section 148(f) of the Code with respect to the Series 2002A VRA Bonds and the Related Local Bond.

(f) *Agents.* VRA may fulfill any of its duties under this Section by or through investment managers, accountants, lawyers or other consultants retained by it.